

NSC BRIEFING

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INDONESIA

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- I. The anti-Dutch campaign in Indonesia is continuing unabated; Sukarno, in first speech since assassination attempt, said there would be no compromise on Irian or let up of pressure on Dutch.
 - A. SOBSI has continued to seize Dutch assets.
 - B. Govt has followed later with proclamations announcing it has assumed administration of these enterprises.
 1. Bulk of Dutch investment on Java now in Indonesian hands.
- II. Communists have not openly objected to govt take over. But have sought to insure that "workers" have a voice in future administration
- III. So far, only Dutch interests have been affected, but SOBSI leaders are threatening to seize other foreign holdings, including US.
 - A. Not clear whether seizures represent confiscation or whether compensation will be paid.
- IV. Anti-Dutch campaign is already having serious economic repercussions.
 - A. Price of rice has tripled in Djakarta and last report from Djakarta says local stocks have been exhausted.
- V. Outbreak of politically motivated violence among Indonesians also possible.
 - A. [REDACTED] Masjumi and Socialist youth groups are planning assassination of Communist leaders which would spark retaliatory action.
 - B. Recent explosion of large ammunition dump in Bandung may have been politically instigated.

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VI. [REDACTED] indicate Soviet bloc is moving quickly to exploit situation.

- A. Dutch claim Soviet Union has already offered provide shipping to replace withdrawn Dutch ships. Govt spokesman also said offers of shipping received from Poland and Yugoslavia.
- B. East Germany has promised to ease loss of trade if economic relations are broken with Netherlands. It also offered to provide pilots for Indonesia's only airline, and have opened the doors of its training institutions for Indonesian students now in Holland.
- C. Poland is also reported to have responded favorably to an Indonesian request for pilots and aircraft technicians.
- D. There is also the unimplemented \$100 million aid program signed one year ago by Moscow and Indonesia.

VII. Although supporting claim for Irian, dissident colonels have not backed anti-Dutch drive.

A. [REDACTED] Sumatra getting ready to declare independence of Java.

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1. Any such intention probably strengthened by loss of faith in Hatta who now reportedly discouraged and despondent.
2. Another good indication of this is recent order from Col. Barlian, dissident in South Sumatra, that export taxes, heretofore remitted to Djakarta, be diverted to Central Sumatran authorities in Padang (Hussein's Hqs.).